the Freeman

Ideas on Liberty

DECEMBER 1971

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A MONTHLY JOURNAL OF IDEAS ON LIBERTY

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FRANK CHODOROV

The Tale of Two Students

THEY WERE members of the debating club at a local college, and would we please help them prepare for the debate: *Resolved, that the Federal government should adopt a permanent program of wage and price control.*

They had good reason for coming to us. *Human Events* had made editorial comment on this debate topic in a recent issue, and the students inferred that we were something of an authority. We are not immune to flattery, and the coed debater was pleasant to talk to.

To bring the matter up to date: Before the college season opens, some five hundred colleges submit to a central committee their ideas on what ought to be debated. The committee consists of faculty representatives from four intercollegiate fraternities and a member of the American Society of Speech. These five sift the suggested subjects and draft four resolutions that seem to embrace the major ideas. The four resolutions are submitted to the member colleges; the one receiving the highest vote becomes the debate of the year.

Our editorial comment on the topic for 1951-1952 was that it is "loaded" – the mere statement implies the acceptance of a questionable premise. The premise is that a wage and price control program is not only practical but even desirable; that goes without saying, and the only matter left open for discussion is the desirability of a permanent program. We pointed

The late Frank Chodorov, former editor of THE FREEMAN, was associate editor of *Human Events* when this article first appeared there, November 28, 1951.

The question of price controls has been debated for several thousand years but seems to plague anew each succeeding generation.

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out, also, that in the current textbooks, with which we are familiar, the idea of controls is favorably treated, so that the debaters on the negative side would be arguing against what they had learned in class. If they debated well, how would they fare in their economics examinations?

The notebooks were made ready. We adopted the Socratic method. What is the purpose of price controls? we asked.

"To keep prices down, of course."

What made them high?

"A shortage of goods and a great demand."

Or an abundance of money, we volunteered. The controls won't bring more goods to market and they are not intended to reduce the amount of money in circulation. They simply aim to compel sellers to accept, and buyers to quote, prices lower than those prevailing in the free market.

"You are implying," said the young lady, "that there is an immutable law of supply and demand. One of my books says there is no such law."

Immutable, we ventured, is a long word leading to a long argument. Would she be good enough to tell me what she would do, were she a dressmaker, if the fixed price of dresses were below her costs?

"I'd quit making dresses."

Unless she reluctantly accepted prices forced upon her by women who disregarded the law, we added. However, if she went out of business, there would be fewer dresses on the market. Would the price of dresses then go up or down? The question, she suggested, answered itself. So, we jumped to the Q.E.D.: that price controls had the effect of creating shortages and thus raising the prices they were designed to lower.

She demurred: "The government could go into the business."

And could sell dresses at a loss which would be made up by taxing the buyers of dresses.

"Can't enforcement agencies hold prices down?"

We traced the course of a pork chop from litter to the butcher shop, just to pick up the number of points at which prices would have to be fixed and surveillance maintained, not overlooking the hide's trip from slaughterhouse to the glove shop. Would it be wrong to estimate that the number of cops needed to enforce price controls in general would come to at least a tenth of the population? Would not the withdrawal of these men from productive work result in lessening the supply of goods? And, who would watch the cops?

"Well, then, are you in favor of the black market?"

We are in favor of the true market, even if it is labeled "black."

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The true market never can be suppressed. Even the ruthless Soviet commissars cannot do it. The students were surprised at this remark, so we related how, when the Russians reduced the value of the ruble several years ago, they gave as their reason the large fortunes that had been built up by "profiteers" – which was an admission that an illegal market had been in operation. (Patronized by law-enforcement agents.)

The Loophole Economy

"But, Americans are law-abiding. Didn't the OPA hold down prices during the war?"

They were too young to remember, and their textbooks do not record the shenanigans under OPA: how butchers would be "fresh out" if you asked them to weigh the meat before your eyes; how the tails of men's shirts were cut short to meet the fixed prices; how you had to buy an accessory you didn't want, at an outrageous price, in order to get an automobile at the legal price.

"If wages are held in line, prices would automatically follow."

Under wage controls, we explained, both employer and employee become criminals if one offers and the other accepts an increase in wages. During the war, to avoid putting everybody in jail, the War Labor Board hit on the device of up-grading jobs so as to make increases in pay legal. But applications for permission to increase were too numerous for the Board to handle, and the employers in desperation resorted to under-the-counter wage boosts, in order to hold their employees (so as to fill defense orders).

"You mean that neither prices nor wages can be controlled?"

Yes, they can; in the army or in prison.

The Argument for Controls When There Is No Case

"Wait a minute," the coed interjected, "I've got to take the affirmative side. I need arguments in favor of controls."

That was a chore. How does one support what one holds to be a fallacy? Well, underlying every fallacy is a doctrine, and if you accept the doctrine, the fallacy seems to melt away. In this case, the doctrine is that political power can make the market place jump through a hoop; there are no laws of economics to hamper the strong arm of the state. We had to accept that position, if we were to be of any help to the affirmative side.

Sticking to the Socratic method, we asked: what is the advertised social purpose of controls?

"To distribute equitably whatever is in short supply."

Like the father, we suggested,

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who sees to it that none of his children gets more than the others. That is what we call "egalitarianism." To argue the affirmative in this debate, we said, you must accept egalitarianism as an ideal and a possibility; you must assume that the state has the right, the capacity, and the duty to allocate production and equalize consumption.

"Hold on; you're preaching socialism."

Maybe statism, we volunteered, is a better word. But, why get disturbed over a name?

"We don't dare mention socialism. The students don't like it, and neither does the faculty adviser."

Then we remembered that in the textbooks this controlled economy business is described as "democratic." Socialism is not mentioned. Putting nomenclature aside, we pointed out that the affirmative in this debate must rest its case on the goal of abolishing inequalities in the distribution of wealth and the state's ability to do so.

"What about the rights of the citizens?"

Pure fiction, we sneered. The only rights the citizens have are the privileges given him, on lend-lease, by the state.

"You mean the worker does not have the right to sell his services to the highest bidder?"

Of course not. We must keep in mind that the good of society, as determined by the state, takes precedence over the good of the individual. After all, if the worker insists on fending for himself, how can the state take care of his interests?

"But, surely, if a farmer has put his back into a bushel of potatoes, those potatoes belong to him and he has a right to sell them for whatever is offered."

Property Rights Rejected

It was the young man who brought up the right of property, and we had to argue that that, too, is fiction. In his textbooks, we said, he would learn that in our highly integrated economy the individual worker produces nothing; society is the only producer. If society produces everything, the state has a first claim on everything, and is entirely within its rights when it confiscates property (by taxation) and distributes it for the general good.

They were perturbed. This was hard to take. "You mean to say that to support the affirmative in this debate we have to take the position that the individual has no rights? That the state is supreme?"

That's your basic premise, we insisted. Once you admit that the individual has rights which the

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state must respect, the case for controls is lost.

The students had come to us without prejudice. They were interested only in winning a debate, whichever side they took. But, when the argument for controls was related to the underlying doctrine of statism, their sensibilities were aroused. The debate took on a new meaning; it was not an impersonal verbal joust; it was a battle of values, a contest between right and wrong – and neutrality was impossible.

When they left, we felt that freedom is not a lost cause. It is rooted in the human soul; it cannot be eradicated by sophistry, nor obfuscated by erudition. Once it is spelled out, youth will recognize freedom, embrace it, and, if need be, fight for it.

IDEAS ON LIBERTY

Lost Freedoms

I WILL NOT undertake to list all of the many freedoms we have surrendered in the United States – the restraints against freedom of choice that we have voted against ourselves. But such a list would include controls over farmers, businessmen, industrial workers, bankers, foreign traders, and other groups. It would include price controls, wage controls, rent controls, raw materials controls, controlled rates of interest, inflated money, artificially cheap credit, and controlled production. Each of these measures has the effect of preventing honest persons from doing what they want to do or of forcing honest persons to do something that they do not want to do. As such, each is a clear-cut denial of freedom. Else why has freedom been forsaken and forbidden in these vast areas of our daily activities?

To me, the sad part of these controls is that, even if we disregard the moral issues involved, I believe they will not accomplish what they are designed to do. I can find no evidence in history that they will work and I believe the reason is clear. It is not, as is claimed, an attempt to control prices or materials; it is always an attempt to control persons.

ADMIRAL BEN MOREELL, *In Search of Freedom* (1951)

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BRIAN SUMMERS

Charity and

CHARITY is a virtuous act of conscience whereby an individual voluntarily gives of himself in the belief that he is helping his fellow men. Neither the psyche of the benefactor nor the merits of his beneficiary need concern us here. The point is that an act of charity is a willful deed of an individual prodded only by his concern for others.

It is in this light that the Welfare State appears most obscene, for it replaces charity with the confiscation and redistribution of wealth. This is not charity because there are beneficiaries with no corresponding benefactors! The taxpayers as a group are not the benefactor because collectives can't have consciences any more than they can have headaches. Individuals and only individuals can have consciences. The voluntary bestowers of charity are replaced with involuntary payers of taxes, many of whom now contemplate their own trips to the feeding place. The beneficiaries, no longer having any individuals to thank for their gains, come to view them no longer as gifts, but as "rights." Thus does the Welfare State replace the noble acts of individuals gratuitously aiding one another with

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a demoralizing confiscation of private property and an immoral, ever-swelling crush at the trough.

Aside from this corrupting influence of the Welfare State, there is the more pragmatic matter of selecting the beneficiaries. A charitable person will usually carefully screen the candidates. After all, it is his own property that he is giving away. Not so the bureaucrats of the Welfare State. They are doling out the confiscated property of others, and are thus not motivated to be so choosy. They act accordingly.

Could this be taken to mean that I favor tossing all Welfare State beneficiaries into self-reliance under the free enterprise system? For some beneficiaries this would be good. It might surprise many statists how many of them would land on their feet. Concerning the truly helpless, let me offer the reader an observation and a challenge. The observation is that an abolition of the Welfare State would drastically cut the need for taxes, and thus leave more wealth for present benefactors to distribute. It would also enable new people to enjoy the subjective benefits of performing charitable works. My challenge is for the reader, having paid all his taxes, to send off a check to his favorite charity.

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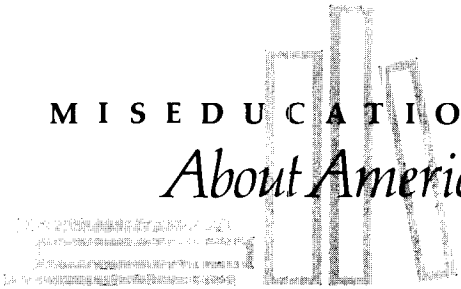

MISEDUCATION *About American Business*

ANNE WORTHAM

THE CONSISTENT misrepresentation of the principles of political and economic freedom has reached its zenith. The result is a generation of young people who have come to believe:

– that men are basically irrational and not to be trusted to act in their best interest;

– that ideas are impotent and have no relevance to reality;

– that government control is needed to make men free;

– that capitalism is synonymous with political pull;

– that an unearned share of another's property is a moral right;

– that competition is a threat to freedom;

– that businessmen are natural conspirators against freedom;

– that the need of one man is his claim to the productivity of another.

The latest decade of the American Story marks the emergence of young people whose ideals are antithetical to everything basic in the development of the freest nation on earth.

The idealism ascribed to the youth of the early sixties had, by the turn of the decade, been transformed into rebellion against America's productive forces. Many business organizations, firms, and universities responded with proposals that they and the youth come together and sort out their differences.

On June 11, 1968, while university campuses erupted with student

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demonstrations and violence, the National Association of Manufacturers held a joint conference of students and industrialists for a possible meeting of the minds. But there was little meeting of the minds between these people who otherwise would have come together as producers and consumers – sellers and buyers – potential workers and employers. Instead they came together as traditional enemies of one another: the exploiters and the exploited.

Their meeting typified the dialogue that can be heard screaming across the land even now – marking the beginning of but another wretched chapter of the anticapitalist campaign. It was but a repeat of past times when the American businessman was made the scapegoat for the failures of such government intervention as Wilson's "New Freedom," Roosevelt's "New Deal," Truman's "Fair Deal," Kennedy's "New Frontier," and Johnson's "Great Society." Once again, the businessmen at the NAM conference did little to defend their stand. I received this report from a friend who was there:

"One of the student panelists hurled the accusation of materialism at the businessmen. He resented the fact that businessmen expect a university to educate and graduate students who are adequately prepared for the responsibilities and opportunities that industry has available for them. This emphasis on career orientation undercuts the idealism of young people and brings about a materialistic society – which the young panelist strongly condemned.

"Unfortunately, no one present was willing to step forward and rebut this and other student comments. One other accusation was that businessmen have failed to bring about the 'good society.' No one in the audience bothered to ask what a 'good society' is, whether a 'good society' had ever been achieved in any country in which businessmen have not been allowed to exist. No one pointed out that if a man wants to do things for people, he first has to know *how* to get things done; and he really won't get things done unless he likes the doing itself – that is, *work*.

"The students made it abundantly clear that their goal was not work, but power. 'We want total re-evaluation of the existing structure,' one of them announced, while another echoed, 'We want a new political institution to determine what society needs.'

"A new political institution is what they called for. However, no one pointed out that any political institution that sets itself as the arbiter of what society needs in-

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variably ends up dictating *which* needs and *whose* are to be satisfied . . . and *whose* lives and/or property must be sacrificed in the process."

The Advocates of Force

Three years later, the prediction of power leading to force has come true. A counterculture of young people dedicated to mysticism and force has emerged to carry one step further the assault against the businessman. They are engaged in a new life style called "ripping off." According to a *New York Times Magazine* article (August 8, 1971) by Michael Drosnin, ripping off – stealing, to the uninitiated – is rapidly becoming as much a part of the counterculture as drugs and rock music.

Summing up the philosophy of these young thieves, Mr. Drosnin writes: "Behind the new morality of theft-without-guilt is a radical ideology . . . which sees America as a society based on the rip-off, its most respected citizens businessmen who have most successfully held up the most people. Stealing from these robber barons, runs the argument, is certainly more moral than working for them. It may be called a crime, but it's only a justified redistribution of the wealth."

I must disagree with Mr. Drosnin. There's nothing radical about the ideology of these young Robin Hoods. The idea of stealing from others what one cannot or will not produce himself is as old as man. But history records the fall of societies permeated by the morality of the thief.

Fortunately, these young people do not constitute a majority of today's youth who, like it or not, will inherit the responsibility of carrying on "the American way of life." But the mere fact that these young larcenists exist says something rather negative about this country's moral, political, and economic health. To quote Goethe: "The destiny of any nation, at any given time, depends on the opinions of its young men under five-and-twenty." Illustratively, in 1968 the students berated the free enterprise system and material property; they proclaimed as their goal a new society in which power, self-sacrifice, and semiconsciousness would determine man's state of affairs. Today's young looters have followed them as field agents, acting out the goals stated by radicals of earlier years. The young radicals of the sixties made explicit the values and goals of those who, for the last century, have been campaigning against reason and free trade in favor of faith and force. The plunder and looting going on today is the end result of that campaign.

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Surely, this ironic state of affairs – where the acquisition of material goods by force is the rule of thumb for free, middle-class youth – is a sad commentary on the future of this country.

The Irony of Their Existence

It is ironic that these young people who have never known what it is like to be without wonder drugs, space age time-saving devices, mass transport, and instant communication should be among industry's most outspoken antagonists. It is ironic that they, the receivers of industry's massive output, should so diligently campaign to put American businessmen out of commission. It is ironic that statism should be the ideal of young people whose livelihood is the product of whatever degree of free enterprise there remains in this country.

It is ironic, but not so difficult to understand. Dr. Ludwig von Mises explains it this way: "People do not ask for socialism because they *know* that socialism will improve their conditions, and they do not reject capitalism because they *know* that it is a system prejudicial to their interests. They are socialists because they *believe* that socialism will improve their conditions, and they hate capitalism because they *believe* that it harms them. They are socialists because they are blinded by envy and ignorance."[1]

How is it that today's youth have come to consider the businessman their arch enemy? One of the reasons is that young people have not been taught to see the man who believes in a free market for what he is. Indeed, they have not been adequately taught the very ideas of free enterprise. To compound the situation further, these youth have only experienced an economy that has moved farther and farther away from capitalism. They have been exposed to a citizenry for whom it has become commonplace to blame businessmen for the faults of the welfare state in which they exist.

Most American businessmen are not capitalistic; most believe in some form of government regulation of their property and work. But it is the resiliency of the free market that has allowed these betrayers of the system to continue doing business. Conversely, however, it is also the objectivity of the free market that finally bucks them and sends them to the bankruptcy courts. If they continue to function in a market that has rendered them unworthy, it is only because of privileges and subsidies granted them by the govern-

[1] Ludwig von Mises, *The Anti-Capitalistic Mentality* (New York: D. Van Nostrand Company, Inc., 1956).

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ment. And in this respect, receiving a government guarantee of a share in the market place is just as despicable and unjust as the act of taking unearned goods from a supermarket or being guaranteed an unearned share of the market as a consumer through government relief.

However, today's youth seem unable to make this distinction among businessmen and they don't trust the free market to weed out the bad from the good. When the market place renders justice to an unstable business and the government counteracts that verdict with a loan (taxpayers' money) to reinstate that business, thoughtless youths then accuse all businessmen of bribing and controlling the government. They see all businessmen as an evil and dangerous force. And they trust nothing, short of government intervention, to rid them of what they think is their enemy. But they have unwittingly made American business the scapegoat for the unrealistic policies and bungling actions of a government that, to say the least, is itself *too big*. They do not see big government as the oppressor of business; rather they see the government as the protector that stands between them and big business. They see themselves as the exploited and the businessman as the ubiquitous exploiter. They seem to be unaware of the many ways in which their own freedom is jeopardized when government curtails the economic power of the business community.

Unfamiliar with the Principles

My contention is that those young people downgrade the ideas of free enterprise because they are unfamiliar with the principles on which the virtue of productivity is based. All they know about the kind of productivity consonant with free enterprise amounts to a misinterpretation passed on to them by their families, schools, community, and civic leaders.

Their outrage is due to the fact that everything they have been taught says that the materialistic ideals of capitalism to which many of the older generation still cling cannot be practiced in reality. They have been saturated by an intellectual onslaught against business. And not having heard any other dialogue, they are rare to question and quick to join in protest.

On the one hand we have seen American business produce at rates unheard of before in the history of mankind. But on the other hand, the development of young Americans committed to the principles of free enterprise has seemingly decreased. An anticapitalist

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attitude has been taking shape in this country during the last half-century, particularly within the past three decades. The American businessman has stood by trying to appease every intellectual straw in the wind, only to see the straws pile higher and higher, until now he feels himself the needle in the haystack, lost and with no visibility.

And so they summon the young saying: "Here we are. See us for what we are—not as your enemies but as your allies."

How Is He to Know?

But what is a twenty-year-old supposed to think of the American businessman if all he remembers from his high school history courses are the reported bribes of robber barons and all he knows about a free economy is that government intervention was necessary to relieve the country of a depression allegedly caused by industry and big business? How is he to look at the businessman as anything else than a monster if his parents are heard saying that wars are supported by big business because of the profits it can make from selling to the military? How is he to understand the blessings of a free economy if his grandfather boasts of a farm subsidy that got him through "those tough years"—or his uncle lauds Roosevelt for a WPA program he claims kept him alive? And at the age of eighteen how is he to vote for a man who calls for less government spending, when for all of his eighteen years he has survived by the grace of a welfare check? How is he to understand the failures of his government when all he hears in school, at home, and on television is that big business is to blame for high prices and unemployment?

As young men and women begin to earn their own salaries and enter the market place as consumers, what are they to think except what they have been taught: a distinct distrust of those who make the products their money will buy? What are they to think if they have accepted the rationalization for government intervention into our nation's economy as reported in high school and college textbooks? What are they to think if their thoughts are based on the average citizen's fear that big business is a threat to his freedom?

In their ignorance, they are to think the very worst and respond with the very worst kind of behavior toward free enterprise: behavior aimed toward destruction.

How do we stop this vicious cycle so that the opinions of our young men five-and-twenty will not cause us to shake our heads

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in doubt about our country's future? I suggest the first step is to get to the source of the misinterpretation – and my conclusion, as an under-thirty young person, is that the source is the American textbook.

Learning Distortions and Falsehoods

I have selected sections of my own high school and college texts to dramatize the gross misinterpretations of the free market that are passed on to American youth.

In the *Applied Economics* (James Henry Dodd) textbook used in my high school, I find the following:

"Capitalism does not approve of monopolies. It holds that where monopolies actually exist, so that there is little or no competition, such businesses should be regulated by the government."

There is no hint here that the only kind of monopoly that threatens the free market is the coercive monopoly held by the government.

The student is told that too much individual political freedom sometimes results in selfish "dog-eat-dog" practices. The author goes on to say that "as the division of labor increases and ways of making a living become more specialized, new laws to prevent certain groups from taking advantage of others have become necessary." This is the rationale offered for the regulation of big business and labor unions. In other words, the more freedom a man obtains due to the optimum use of his skills, the more control there must be on his labor and on the employer who agrees to pay him for his labor. From this, a student might easily conclude that if left alone men will take advantage of each other; that the only way to prevent men from acting against their best interest is to control them. The students in my classes would hardly have questioned the conclusion that freedom is preserved by means of regulations and controls.

In defining the American political economy, the author states:

"Probably the truth of the matter is that we have what we might call American capitalism. It is not the laissez-faire type of capitalism that was talked about so much a hundred years ago or more. Indeed, as we have said, we have never felt that government should pursue completely a hands-off policy with regard to business." And then comes this clincher: "To arm ourselves against communism, certain controls over business have become necessary."

In a chapter entitled "Big Business and Little Business," the author focuses on "the evils that have resulted from the growth of big business."

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"Under the spur of competition for profits, there is always the possibility that some concerns . . . will take advantage of their competitors."

The chapter on "Competition and Monopoly" ends on the following note:

"We have never had a pure capitalistic system. Competition has always been imperfect, and always some business concerns have enjoyed advantages over others. Furthermore, it is not socially desirable or practicable to rely on competition to fix fair prices for the use of railroads and telephones. The prices of these things are controlled in part by government. . . . The question, therefore, is not whether we shall have perfect competition or pure monopoly as a method of determining the prices of the things we buy. Rather it is a question of how much unrestrained competition is desirable . . . shall business be controlled by means of government ownership or by regulation?"

Control or regulation! These are the alternatives, two sides of the same ideology: communism or fascism. These are what the unsuspecting student is asked to choose from.

History?

In a college-level American History handbook (*American History at a Glance* by Marshall Smelser), used by many students at my college, no distinction is made between the giants of American industry who were believers in an unregulated economy and the justice of the free market and those men who sought political pull and government subsidies. J. P. Morgan and Andrew Carnegie are described, along with the Big Four of the Central Pacific Railroad, as a threat to competition. The economic revolution that followed the Civil War is depicted as the cause of the years of economic dislocation that ensued. The ill fate of the American farmer is blamed on industry.

The student reading this summary of American history would have to conclude from it that during the post-Civil War years until the height of the Progressive Movement of the early 1900's, American free enterprise was always in danger as a result of the actions of businessmen. Indeed, the student is told that the decline of the pro-business atmosphere and the increasing interest in reform came about because there was a "feeling" that the political and economic direction of American life had been given into the hands of a few or had been seized.

What of the consequences of taking the country's economy out of the market place and placing it

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in the hands of government bureaucrats? There is no way for the student to know from reading this particular handbook.

Booker T. Washington Portrayed an "Uncle Tom"

Turn now to the Negro history book (*From Slavery to Freedom*, rev. ed., 1956) required as a text at my college and still used extensively in most southern Negro colleges. The author, John Hope Franklin, has the following to say about the role of the American businessman: "Perhaps the greatest failure of Reconstruction was economic. . . . In the North, where their [Negro] lot was substantially better, they had not yet learned to cope with the powerful industrialists who were using political agencies as their most reliable allies and bribing officials with greater regularity than they paid their employees. While the white leaders of the South were preoccupied with questions of Negro suffrage and civil rights, Northern financiers and industrialists took advantage of the opportunity to impose their economic control on the South. And it has endured to this day."

In his section entitled "Age of Booker T. Washington," Franklin criticizes Washington, a man who was easily the most sensible Negro of his time, if not one of the most rational intellectuals of the post-Civil War period. Washington believed that all races have gotten on their feet largely by laying an economic foundation. On one occasion, in answer to his opponents, he said, "I would set no limits to the attainment of the Negro in arts, in letters or salesmanship, but I believe the surest way to reach those ends is by laying the foundation in the little things of life that lie immediately about one's door. I plead for industrial education and development for the Negro not because I want to cramp him, but because I want to free him. I want to see him enter the all-powerful business and commercial world."

He held the strikingly practical and rational view of economic freedom as a prerequisite of political freedom; essentially his belief was that economic freedom was self-initiated and maintained in the market place rather than through handouts. In regard to these views, the author passes on the following interpretation of Washington's brand of capitalism to students:

"While there was much to be said for the position that Washington took, his doctrine contained some weaknesses that are perhaps more obvious now than they were 40 years ago. He accepted uncritically the dominant philosophy of

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American business when he insisted that everyone had his future in his own hands, 'that success came to him who was worthy of it, and the greater the obstacles, the greater the victory over them.' It was a doctrine of triumphant commercialism, which was strengthened by his contact with . . . wealthy American businessmen."

In his final criticism, Franklin interprets Booker T. Washington's philosophy as being "an adaptation of the theories of free competition and political individualism that had been taught by the school of classical political economy and was becoming more fictitious than ever by 1900."

According to Franklin, the alleged concentration of economic power in the hands of a few discredited the idea that a man of small capital could raise himself to affluence and power through hard work and thrift. That Washington could have believed otherwise, says Franklin, showed his lack of understanding of that reality as he developed a program of industrial education for the economic salvation of Negroes.

It is no wonder that many young people with whom I attended Tuskegee Institute in the early sixties began to refer to its founder as an "Uncle Tom." Students who were benefiting from the industry of Booker T. Washington remembered him not for his ideas of individualism, economic self-determination, and free competition; instead they remembered him as the "Great Compromiser."

Political Science—Anticapitalistic Version

The textbook of my Political Science course was *American Democracy in Theory and Practice* by Robert Carr, Marver H. Bernstein, and Donald H. Morrison. In their assessment of the relations between government and business, the authors demonstrate the trend toward increasing governmental regulation of economic life. They concede government's role in protecting property rights. However, they add to this function of government four others which they say are the means by which government promotes business. In their view these functions are: (1) direct aid to business; (2) maintenance of competition; (3) public utility regulation; (4) financial controls.

After a detailed explanation of these alleged functions, the authors tell the unsuspecting student that government regulation and the growth of public powers have been inevitable results of industrialism and the spread of democracy. Regulation, they say, is designed to protect the public against

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the excesses of arbitrary economic power which develops in a highly industrialized society.

It must be remembered that these conclusions presented to the student are done with the best intentions. Government regulation is described as being supportive of free enterprise – not obstructive to it. To quote Ludwig von Mises: "This assumption takes for granted the fundamental socialist idea that economic interests of the masses are hurt by the operation of capitalism for the sole benefit of the 'exploiters' and that socialism will improve the common man's standard of living."[2]

It is interesting that of the 810 pages of text the authors devote one-and-a-half pages to the ideologies of fascism and communism without defining the basic principles of these anticapitalistic ideas. And if the student has no concept of these opposing ideas, how is he to know that many of the claims made by the authors are themselves adherent to the principles of socialism? How is he to know that for some 115 pages, instead of explaining the theory and practice of free enterprise as proclaimed, the authors instead have dwelt upon the theory and practice of a version of socialism? How is the student, who is enjoying the blessings of liberty, to know that the reason that his general welfare is among the highest of the world's peoples is not *because* of government regulation—but in spite of it? How is he to know this if his textbook clearly states that it is because of government control (of business) that private enterprise is maintained?

What does he have to counteract six long chapters of text reiterating the position that the American economy "depends substantially upon government activity and control to safeguard and promote the public interest and to maintain private enterprise"?

Conclusion

I have presented the above excerpts from books that were a part of my own educational experience to show to what degree the tools for teaching the ideas of free enterprise were lacking in that experience. And I think my experience was not unique. It is my contention that the young person who calls a large corporation fascist doesn't do so because he knows what fascism is; rather he does so because he doesn't recognize free enterprise when he sees it. And this is the danger – that many young people in our school systems will never know the very principles upon which their lives and livelihood depend. They will be cheated of a means to distinguish between

[2] *The Anti-Capitalistic Mentality.*

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statist principles and laissez-faire principles. I am fully aware how rare it is these days to see anything that looks remotely like a laissez-faire undertaking. But that does not excuse the inability of an entire generation to see these rare instances of man glorified by his productivity. That does not excuse the inability of young people to distinguish between an altruistic principle against their lives and a capitalistic principle in support of their lives.

It is, in my opinion, time for new textbooks to appear in the American classroom. Either we supply young minds with an accurate means of comparison or we will continue to be subjected to the actions they take based on the distorted ideas they now hold.

IDEAS ON LIBERTY

The World of Make-Believe

IN ALL PLACES it is visible, that while people talk of a commonwealth, every man seeks his own wealth; but there, where no man has any property, all men zealously pursue the good of the public: and, indeed, it is no wonder to see men act so differently; for in other commonwealths every man knows that unless he provides for himself, how flourishing soever the commonwealth may be, he must die of hunger; so that he sees the necessity of preferring his own concerns to the public; but in Utopia, where every man has a right to everything, they all know that if care is taken to keep the public stores full, no private man can want anything; for among them there is no unequal distribution, so that no man is poor, none in necessity; and though no man has anything, yet they are all rich; for what can make a man so rich as to lead a serene and cheerful life, free from anxieties. . . .

SIR THOMAS MORE, *Utopia*

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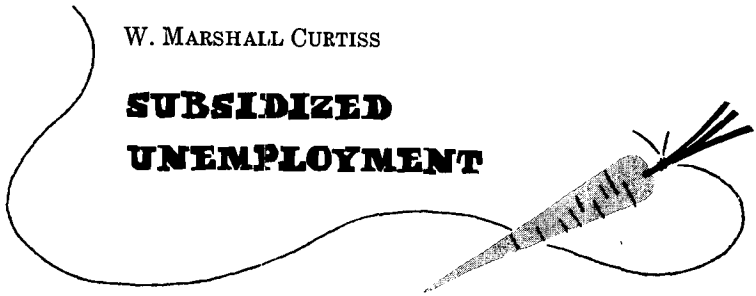
W. MARSHALL CURTISS

SUBSIDIZED UNEMPLOYMENT



HAVE YOU ever tried to employ an "older" person and gotten this reply: "I would be glad to work part time, but if I earn more than $140 in any month my social security that month will be reduced 50 cents for every additional dollar I earn." If he earned $240 in a month, half of the extra $100 would be deducted from his social security check. In other words, he would give up $50 to earn $100. Furthermore, the $100 is taxable income whereas his social security check is not. The earned income also is apt to be subject to a deduction of around 10 per cent for social security taxes.

But let's go on. Whatever a social security claimant earns above $240 in a month is deducted from his social security check, dollar for dollar up to the total amount of his social security check. Say his social security check is $140 a month. He has a full time job that pays him $330 a month. He would have to give up all of his social security check; in addition, his withholding for Federal taxes would be $20.30 (with two exemptions) and the social security tax on his $330 would be about $34, contributed half by his employer and half by himself. In all then, it would cost him nearly $200 a month to earn $330, whereas he could get his $140 social security check by doing nothing. Not a very attractive job, is it!

Of course, some people would rather work than be idle in spite of the low return. Because the mathematics of this is figured month by month, a person might work full time for only a few months during which time he would receive no social security,

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then remain idle or earn no more than $140 a month and thus draw full social security for the balance of the year.

As a person's earnings rise, say to $500 or $800 a month, then working becomes more attractive. And one can look forward to age 72 when he will be able to receive all of his social security check without penalty, regardless of earnings.

That Some May Be Subsidized, Others Are Taxed

At its beginning, in the mid-1930's, social security was portrayed as an insurance plan to enable retired people to live comfortably after their earning days had passed. The benefits were often called annuities and the withholding referred to as premiums. It was described as a funded plan with a large trust fund. Most knowledgeable persons today realize that social security is pay-as-you-go rather than a funded plan, with workers currently taxed to pay benefits to those who qualify. It is of little avail to suggest that a young worker could more economically build up his own retirement through a private insurance company. Such options are seldom available to taxpayers. One might suggest that it would be less expensive to educate one's children in independent schools than to pay school taxes year after year, but that is not an open option.

The question we are examining here is why the formula for paying benefits is subject to the work-income rule. If social security were an annuity plan for elderly persons who had purchased their rights with premiums, why withhold some or all of the benefits if the person earned more than a given income?

The Incentive to Retire

The reason for the work-income test is not difficult to discover. In the mid-1930's, unemployment was high. Those who spoke for labor, then as now, seemed to believe that there were just so many jobs available—not enough to go round. A solution, given their premise, was to remove some of the available workers from the work force. How better than to use both the carrot and the stick?

The carrot was the social security handouts offered qualified persons over 65; and in the first several decades of the program the benefits far exceeded the value of prior contributions by employer and employee. The stick was the work-income rule which effectively removed many able-bodied workers from the work force. In effect the plan said: "We will give you so much a month if you will agree not to work—at least, not very

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much." In 1961, in the face of increased unemployment, a further attempt was made to reduce the total work force by permitting men to start drawing social security payments at age 62 instead of 65.

The plan worked, after a fashion. In 1947, nearly 48 per cent of men 65 years of age and over were in the labor force. By 1970, only 27 per cent of those 65 and older were in the labor force. Other factors such as the end of the war, compulsory retirement from business, and a general increase in affluence helped bring the decline. But with the work-income rule removed at age 72, we find the percentage of men in the work force increasing from 31 per cent at age 71 to 35 per cent at age 73.

Making Jobs for Nonworkers

The attempt to control unemployment by regulating the size of the work force or the number of jobs has taken many forms. In the early days of the Industrial Revolution in England, weaving machines were destroyed in the belief that the number of available jobs otherwise would be reduced. In the 1930's in this country, especially in the rubber industry, the work week was reduced to 35 hours to create more jobs – to spread the work. Tightly controlled labor unions have attempted to limit the number of workers by apprentice regulations, thus hoping to maintain higher wages than would otherwise prevail.

More subtle ways of limiting the size of the labor force include minimum wage laws. These have effectively kept young workers, especially those from minority groups, from being gainfully employed. Given a free labor market with willing buyers and willing sellers of labor at wages agreeable to both, those who want to be employed can get a job. A free labor market creates a tendency toward full employment.[1]

In any consideration of employment opportunities, one must bear in mind that wants of individuals will always exceed the means of satisfaction however high the level of affluence. The philosophy of the song, "If I Were a Rich Man," seems to deny this. How often one hears from the young, "The day I reach a salary of $10,000 a year, I'll have it made!" But human nature doesn't work that way. Achieve one economic goal and another springs up.

So it is with persons who have started drawing social security. Even though their incomes provide adequate food, clothing, and shelter, most have additional wants

[1] See Ludwig von Mises, "The Economics and Politics of My Job." Irvington-on-Hudson, N. Y.: The Foundation for Economic Education.

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for the satisfaction of which they are willing and able to work.

Does It Hurt Me If You Work?

Now, if they work, who suffers from it? Political interventionists would have us think that other workers would be thrown out of jobs – that one man's productivity is another man's poverty. Of course, this makes no sense in a relatively free economy. Unless someone earns more than enough for his subsistence, there can be no employment opportunity for anyone else.

Let's further examine this point. Suppose I am over 65 and drawing social security. I'd like a little more income, so I take a job as a bookkeeper for a local firm. To be sure, the accounting I do is not done by anyone else, and it might appear that I have kept someone from a productive job.

However, my reason for working is to earn enough to buy additional goods or services – perhaps for a vacation, or better medical attention, or books to read, or to support my hobby of photography. What matters is that I will spend the money for something – possibly an investment – and the effect will be to provide employment for others, including the person who might otherwise have had my bookkeeping job.

This suggests another basic principle of economics: the total welfare of a people is the sum of their productive efforts as individuals. Those who do not work add nothing to this total of productivity, do nothing to help raise the average level of living. The level of living of an individual or his family depends on his working in a productive way in an economy where the capital invested per worker is relatively high. This is the key to a prosperous economy. To arbitrarily preclude anyone from working, whether a teenager or someone retired on social security, is to reduce the level of living below its potential.

Who Threw the Monkey Wrench?

A situation such as developed in the 1930's cannot be explained as a lack of work to be done or as too few jobs to go round. The explanation must be sought in the unfreedoms or the interventions which keep the buyer and seller from trading to their mutual benefit.

There may be political reasons for encouraging social security recipients not to work. It has been argued that if social security payments were not diminished to those who earn more than $140 a month, then there would be less to pay out to other recipients. It is also argued that if the work-income test were removed, some

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would receive benefits for which they have "no real social need."

This is not an attempt to appraise the entire social security system. Our purpose is merely to show the absurdity of paying persons to remain idle. For they might otherwise be gainfully employed, to the advantage of themselves in the service of others — and to no one's harm.

Whatever the stated purpose of social security, whether a compulsory scheme to redistribute wealth, or an actuarially sound retirement system, it currently functions in part to subsidize unemployment.

IDEAS ON LIBERTY

"Purchasing Power Creates Jobs"

SINCE 1930 and our government's deliberate policy of maintaining wages above the free market level, peacetime unemployment has become our most persistent economic problem. . . .

All the "consumer purchasing power" in the world cannot create even one permanent job in an economy where the return on capital is negligible or nothing. That is, if every person in the world had twice as much money as he now has to spend, not one job would thereby be created unless the owners of the factories believed they could earn adequate profits. It is the actual and anticipated return on capital, *not* consumer purchasing power as such, that causes investment in new buildings and machines, and the resulting creation of more production and more jobs. Thus, laws and coercive union policies that increase wages at the expense of profits do not create jobs; they destroy them.

From *Clichés of Socialism*, No. 37, by Dean Russell

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CLARENCE B. CARSON

THE FOUNDING OF THE AMERICAN REPUBLIC

5

The Enlightenment Impetus

FROM THE EARLY 1760's to the mid-1770's, as colonial resistance to British rule mounted, ebbed, and flowed, colonists referred over and over again to the British constitution, to the rights of Englishmen, to the charters on which the colonies were founded, and so on. This they could do so long as they were attempting to alter British policy and retain existing relationships. But once they decided to break the connection with England they could no longer hinge their action on the British constitution nor any longer support their institutions with it. Experience could be utilized; forms and practices could be abstracted from the British pattern; but all these would have to have a new foundation and new justifications.

The new foundation on which they built was the natural law philosophy. This is not to say that the natural law philosophy was new or that Americans had just become acquainted with it. On the contrary, the natural law philosophy, or its underpinnings, is nearly as old as Western civilization; it had been greatly revived in English political discourse in the seventeenth century; and American thinkers were

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widely familiar with it long before the break from England. But it had got new impetus behind it in the past century and a half, and the doctrines out of it were being brought to a fruition at just the time that Americans turned to it to justify their actions and undergird their institutions. If James Madison had been aware of intellectual history in this way, he might have remarked about the occurrence of this fruition of the natural law philosophy at just this juncture of history in the same vein he did about another matter in these words: "It is impossible for the man of pious reflection not to perceive in it a finger of that Almighty hand which has been so frequently and signally extended to our relief in the critical stages of the revolution."

The Natural Law Philosophy

Documents, writings, and addresses of the revolutionary period are replete with references to the natural law philosophy and ideas derived from it. Jefferson based his argument in the Declaration of Independence on "Nature's laws." Thomas Paine argued both that independence was called for as a natural right and that the resulting country should be founded on underlying law. State constitutions frequently listed a number of rights which were "natural." The United States Constitution was implicitly framed from an order explicit in the natural law philosophy. As Clinton Rossiter has said: "The principles in which they placed their special trust were . . . those of . . . the school of natural law." They "sought limits [on political power] more universal than those staked out in laws, charters, and constitutions. The great philosophy that preached the reality of moral restraints on power had always been a part of their Anglo-Christian heritage. Now, in their time of trial, the colonists summoned it to their defense."[1]

The natural law philosophy is grounded in metaphysics. That is, it is grounded in something beyond the physical; it is not accessible to the senses directly. No one can see, hear, taste, feel (tactilely), or smell natural laws. If they are real, their reality is vouchsafed in some fashion other than through direct sensual contact. Their reality should not be understood as a becoming, either, as made up of ideals which may be fulfilled in the course of time. The founders of these United States were not idealists in this

[1] Clinton Rossiter, *The Political Thought of the American Revolution* (New York: Harcourt, Brace and World, 1963), p. 78.

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sense; they did not conceive of natural laws as something it would be desirable to see established. On the contrary, they were understood as being already everywhere established, inviolable, and finished.

Self-evident Truths

Intellectual developments since the eighteenth century have made it increasingly difficult to understand the natural law philosophy, and the meaning of this is that it has become increasingly difficult to understand that on which these United States were founded. The difficulty can be exposed by examining a familiar phrase from the Declaration of Independence, the one which reads: "We hold these truths to be self-evident, that all men are created equal...." The phrase has been so often heard and seen that it has attained that status for us of an idea which is so familiar that it neither shocks nor calls forth any examination of it. Probably, in our day, most people hear not the words but a translation of them which would go something like this: We hold it as an ideal that all men should be made equal. Yet, that is not what the words say, nor is it reasonable to render them in this fashion.

In the first place, what does it mean that "these truths" are "self-evident"? Today, the phrase "self-evident" is often used as if it were a synonym of "obvious" or "apparent." This is probably a way, unconsciously adopted, of avoiding the difficulty for us of the term. "Self-evident" means that the statement contains its own evidence. To turn it around, it means that there is no external evidence for the truth of the statement, or that none is being adduced. It can be made clear that in the instant case no evidence either is or can be adduced for the validity of the statement. All the evidence that I know of indicates that all men are *not* created equal. Each person is different from every other at birth, different in appearance, different in capacities, different in circumstance, and different in what he inherits. Jefferson's statement is one which, if true, must be "self-evident."

This is not to say that there is no evidence for the reality of natural laws; it is rather to affirm that such evidence as there is is indirect. Thomas Jefferson was working out of a long-established philosophical tradition when he wrote the Declaration of Independence. This tradition was dualistic, holding that there are two realms of being. They can most directly be described as the realms of the physical and the metaphy-

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sical. The physical realm may also be described as the realm of the existential, the changing, the historical, and of appearances. The metaphysical may be called the realm of forms, of essences, of fixities, and of the real. It is, of course, the realm of natural law. It is that underlying order which gives shape, form, predictability, and their character to things.

Greek and Roman Influences

The philosophical roots of the natural law philosophy reach down deeply into Western thought from its early beginnings. The Greek thinkers of classical antiquity were early taken up with the difference between appearance and reality. To appearance, all things seemed to change; indeed, all physical objects undergo alteration and corruption with the passage of time. This led some men to conclude, such as Heraclitus, that all is flux, that there is only change. Others held, however, that the changing is only an appearance, that underlying it is fixity and order.

Philosophy, as we understand it, had its beginnings with efforts to find the primal stuff from which all else comes. It was commonly believed for a long time that there were four elements — earth, air, fire, and water — from which all else is made. This search begot yet another one, the search for that which gives form and order to things, to that which causes them to assume the shapes that they do, to follow the course that they do in their development, and to behave as they do when impinged upon by something else. Men have, for as long as they have had settled modes of living at the least, been aware of numerous regularities and predictabilities in the world about them. Philosophy — by which is meant here its most abstruse branch — has been concerned with trying to make a coherent explanation of these.

Metaphysical thought reached a plateau with a line of Greeks which commences with Socrates, goes through Plato, and culminates with Aristotle, a plateau which it has ever since been difficult to reach or to rise above. New reaches in philosophy was only one of the achievements in the ancient world, of course, though these may have been the keystone. The Greek achievements were spread about the Mediterranean in what has since been known as the Hellenistic Age, and were taken up by the Romans who expanded and developed that portion of Greek culture which appealed to them. Roman thinkers were the first to set forth the natural law philosophy exten-

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sively. They did so both to undergird the edifice of Roman law and to justify the spread of that law over a vast empire. Their acquaintance with a multiplicity of peoples of diverse cultures led some of them to seek for common features underlying the differences which would be of the order of law everywhere applicable.

Revivals of the Natural Law Philosophy during Middle Ages

So impressive were the varied achievements of the Ancients that men refused to forget them even after the empires fell and Europe broke up once again. There were many revivals and renascences over the years. Two major efforts to revive the learning of the Greeks and Romans occurred in the Middle Ages: the first is known as the Carolingian Renaissance, and the second took place in the twelfth and thirteenth centuries. There was an almost continuous renaissance in the Modern era from the fifteenth into the eighteenth century. There was a neoclassical revival in literature in the seventeenth century, and the music of the eighteenth century is frequently described as classical. If what is meant by classical is an emphasis upon order, harmony, balance, moderation, reason, and form, then the eighteenth century was the preeminent neoclassical age of our era.

The natural law philosophy was revived in Europe in the seventeenth century. On the continent exponents of it in the political and legal realm included Hugo Grotius, Jean Bodin, and Samuel Pufendorf. English writers in this stream would include Thomas Hooker, Harry Vane, Richard Hooker, James Harrington, Algernon Sidney, and John Locke. Much of the English thought was produced during the constitutional struggles of the seventeenth century, struggles which culminated in the Glorious Revolution. This body of thought was most useful to Americans when they came to revolt, because they were able to hinge much of their case on English thinkers.

The natural law philosophy in general got a great boost in the seventeenth century from what we call scientific developments. These developments which are associated with the names of Francis Bacon, René Descartes, Galileo, Johannes Kepler, Leibniz, Spinoza, and Isaac Newton were both spawned by the revived natural law philosophy and gave new impetus to it. The central features of this development were the emphasis upon the rationality of the universe, the rationality of man, and mathematically expressible laws

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governing the behavior of objects. Ways were worked out for discovering the laws, and these and other men experienced phenomenal success in the work of exposing them. Alexander Pope wrote:

Nature, and nature's laws lay hid
in night,
God said, Let Newton be, and all was
light.

So impressive was the natural order revealed by scientists that renewed efforts were made to discover more precisely the natural order as it applied to man and his affairs. The effort to do this in the political, social, economic, religious, and artistic realm has come generally to be called the Enlightenment of the eighteenth century. The title contains a considerable measure of presumption in it: it suggests that men were coming to be enlightened while those who had gone before had been in the dark. This is pointed up, too, by the conscious sloughing off of the reliance on the ancient thinkers and attempts to discredit them. A case can be made that the thought of the Enlightenment was deeply influenced by classical antiquity even as that age was no longer venerated. An equally strong case can be made that there was in the Enlightenment a potentially fundamental break with tradition which would cut men off from their past. Both these things are true.

New Emphasis on Reason

It was with some trepidation that I used the term Enlightenment in the title of this installment. There is no doubt that Americans at the time of their revolt were under the sway of the natural law philosophy, but there is reason to doubt that they were under the sway of the Enlightenment. This doubt is occasioned, I think, because of the course of developments in France. Many historians of the Enlightenment have focused on French thinkers, on Voltaire, Diderot, Quesnay, Montesquieu, d'Alembert, Rousseau, and so forth. The French were the most dramatic proponents of the Enlightenment, the most daring and iconoclastic of thinkers, the ones who broke most emphatically with the past. In France, too, centuries-old anticlericalism shifted toward opposition to all the formal religions and became, for some, outright atheism. The repute of the Enlightenment has been tarnished, too, because in its wake came the French Revolution with all that entailed.

Now some Americans were influenced by French thinkers. Probably all Americans who knew

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of it were favorably influenced by Montesquieu's arguments for a separation and balance of powers in *The Spirit of the Laws*. The affinities between the French and Benjamin Franklin, Thomas Jefferson, and Thomas Paine, as major examples, are well enough established. But the Enlightenment was not an exclusively French affair, nor the directions in which some of the French took it an inevitable one. The Enlightenment can be considered a much broader development encompassing the emphasis on reason, natural law, and balanced with a thrust toward liberty. In this sense, Americans shared in its fruits, and used the ideas associated with it. The bulk of Americans did not accept the more radical breaks with the past nor become antireligious as a result of their thinking. Americans tended to counterbalance abstract ideas with reference to experience and by the use of common sense.

"A State of Nature"

There are several concepts basic to the natural law philosophy. The most basic concept is that of a *state of nature*. Thinkers in the seventeenth and eighteenth centuries were given to beginning some statement with the phrase, "Man, in a state of nature. . . ." Anthropologists of the nineteenth and twentieth centuries have pointed out that man is nowhere discoverable in a state of nature, that, on the contrary, he always exists in a social state. As is frequently the case when men of one era take on those of another in controversy, those of a later date have misunderstood the position, whether intentionally or not we do not know. The thinkers of an earlier day did not mean that man had ever existed in a state of nature historically, or that he could somewhere be found in that state at any time. The concept is essential, hypothetical, and imaginary. To know the nature of anything, it is necessary to strip away all that is peculiar and particular to that thing, all that has been accidentally added, and view it in terms of the common features it shares with all others of its kind.

To know the nature of man, then, is to know him in a state of nature, that is, to know him stripped of all cultural accretions. Stripped of his culture, a creature is only *potentially* a man, of course. It is a work of the imagination to discover man in a state of nature. It is an hypothesis from which to reason to other conclusions. It is man reduced to his essence that is discovered in this fashion. It is, as understood by the men about whom we have been talking, man as he really is. Thus, it can be affirmed that man is a

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rational animal – i. e., that he is capable of reason, that his potentiality for reason separates him from other creatures. If reason were something acquired from the culture, then all other creatures in the culture could acquire it.

The state of nature concept, then, is used to discover the nature of things. Everything has its nature, men of the Enlightenment held, has its form, shape, and potentialities. This could be affirmed of government, of society, of economy, and so on. Nor was the state of nature a neutral concept in the Enlightenment. The nature of a thing was believed to be implanted there by God, and it behooved man and all institutions to conform to their natures. On this view, everything is either natural or artificial. Herein lies the most revolutionary side of the natural law philosophy. One can follow a line of reasoning that all culture and all artifice violates nature and must be destroyed. (This was the tendency of Rousseau's thought.) Or, this line of thinking may be followed in a more discriminating fashion and lead to conclusions that some cultural developments run athwart the nature of the thing – such as mercantile regulations, for example, while others do not, as, for example, the institution of marriage. The founders of these United States tended to be quite conservative in their interpretation of the relation of their institutions to the nature of things.

"The Social Contract"

Another basic concept of the natural law philosophy could form a counterbalance to the revolutionary tendency of the state of nature concept. This is the concept of the *social contract* or *compact*. It will be useful here to distinguish between the essential and the existential social contract, even though such a distinction was not usually carefully employed in the eighteenth century. The essential social contract is timeless and universal; it is that contract which must exist if men are to live at peace in society. It is an enduring contract which one perforce enters at birth and quits only when he leaves society. As I have noted elsewhere, the social contract "is that tacit, essential, and necessary agreement which binds man to man, members of a family to one another, members of communities together, binds generation to generation, binds people to government and government to people. It is everyman's tacit agreement not to use violence to get his way, to leave others to the enjoyment of the fruits of their labor, not to trespass upon the property of others, to fulfill

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the terms of his individually entered into agreements, to honor his parents, to succor his children, to keep his word, to meet his obligations – to family, to community, to country –, to keep all treaties, and to observe the amenities of his culture."[2] It should be clear that the acceptance of such a social contract would mean that drastic changes would not be made in the social fabric, for to do so would be to violate the social contract. Americans accepted some such conception, as most peoples at most times do, whether they are aware of it or not.

The existential social contract is the particular one which prevails in a given society. When men referred to it they had in mind usually the compact between the governed and the governors. Any constitution would be such a contract, whether it had been written out or not, and whether or not both parties had formally ratified it. Americans in 1775 had a considerable history of dealing with such compacts. There was the British constitution, the colonial charters, the Mayflower Compact, the Fundamental Orders of Connecticut. In the natural law philosophy, if the rulers violated the existing social compact basically and consistently, a people could revert to their condition prior to their rulers and work out some new agreement. This is what Jefferson argued in the Declaration of Independence.

"Natural Rights"

Probably the most potent concept derived from natural law theory for the American colonists was the doctrine of *natural rights*. This is the doctrine that men have by nature, and as a gift of God, certain rights. They have been most commonly categorized as the right to life, liberty, and property. John Adams described the position this way:

> All men are born free and *independent*, and have certain natural, essential, and unalienable rights, among which may be reckoned the right of enjoying and defending their lives and liberties; that of acquiring, possessing, and protecting property; in fine, that of seeking and obtaining their safety and happiness.[3]

It was in their claim to rights that Jefferson was saying all men are created equal in the Declaration of Independence. He followed his famous phrase about equality with this one: "that they are endowed by their Creator

[2] *The Flight from Reality* (Irvington: Foundation for Economic Education, 1969), p. 498.

[3] George A. Peek, Jr., ed., *The Political Writings of John Adams* (New York: Liberal Arts Press, 1954), p. 96.

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with certain unalienable rights. . . ." It should be clear that this statement cannot be validated by an appeal to historical evidence. History is replete with instances of violations of the rights of individuals to their life, liberty, and property. Murder, suppression, and trespass have been all too common throughout history, nor would surveys anywhere at any time have been likely to turn up the fact that all were equally protected in the enjoyment of their rights.

But Jefferson did not appeal to historical evidence; he said that the truth of the position is "self-evident." The effective meaning of this is that the truth of the statement follows from the nature of man and of conditions on earth. What does it mean that one is entitled to life? It means that no one has a prior claim to it, that no one may take it without provocation, that it is his to whom it has been given. In the nature of things it is clear that no one could have established a claim on the life of another at birth or thereafter.

In a similar manner, man has a natural right to liberty, that is, to the free use of his faculties (with the commonly stated proviso that he do no injury to others in his use of them). In the very nature of things, no one may constructively employ the mind, the senses, and the limbs of a person but that person himself. It follows that he to whom they belong does so by prior right which it is impossible for him to alienate. The right to property is shorthand for the right to the fruits of one's labor. It is self-evident that a person who has produced something by his own labor with his materials on his own time has a rightful claim to it. The right to property is the better phrase, however, for it encompasses the subtleties of distribution by which the fruits of one's labor may be determined in complex situations which usually prevail.

An Ordered Universe

The natural law philosophy mightily buttressed a belief in liberty. It also provided methods for discovering liberties and the means for establishing and maintaining them. The Enlightenment gave added impetus to making such discoveries and an urgency to acting upon them.

The concept of an ordered universe provided the most profound basis for liberty. Seventeenth century scientists had affirmed that the universe was governed by laws capable of precise formulation. Newton's statement of the law of gravity explained how the great bodies in the solar system are

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kept in their orbits by a combination of the motion of freely falling bodies and the attraction of the bodies to one another. All sorts of other phenomena were shown to operate according to law. These laws were believed to be the creation of God and to be immutable.

As thinkers extended their activities into the social realm they discovered a natural order there as well. It is an order modified, however, by the free will of man. Man not only can reason but he can will as well, and he can will to do wrong to others. Hence, government is necessary, and certain prohibitions by it are essential to enable men to live fruitfully in society. But the existence of an order prior to government means that the role of government can be limited and restrained. It is not to be expected that everything will come apart if some human agency does not control and direct it; on the contrary, things will operate as they are supposed to ordinarily without some compulsive force.

Separation and Balance of Powers

To restrain government to its proper role, power must be separated into its various functions, and powers must be counterbalanced against one another to prevent those who govern from exceeding their bounds. The separation and balance of powers concept was a paradigm of Newton's description of the universe itself. The heavenly bodies are kept from flying off into space by mutual attraction. On the other hand, they are prevented by their own motion from being drawn into the sun and consumed. A basic separation and a delicate balance between thrusts and pulls holds them in their orbit. This is one of the models for the separation of powers in government by which it may be kept to its task.

There is not space here to describe in detail the arguments for and justifications of liberty that derived from this outlook. Some of them will be described at other points. Suffice it to say that Americans were impressed wherever they looked with the felicitous possibilities for liberty. The broad lines of the insight went something like this: Compulsion is not necessary to make men sociable; man is a social creature by nature. He needs the society of others to satisfy his wants and will seek out the company of others. To have that company, he will be under pressure to behave in ways acceptable to others. There is an economic order which men willingly take part in without being compelled to do so or without being told what to do. Man is religious by nature. He cannot be compelled to believe what he does not be-

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lieve. By nature this is impossible. But he might be expected to worship with others of like mind if left to his own devices.

By the time the crisis between Britain and America came, Americans were prepared by the natural law philosophy in three most important ways. With it they had ready to hand a foundation to substitute for the British constitution, one which undergirded that institution and transcended it in its universal validity. And they were impelled toward liberty as a temporal object. The diversity of the colonies had once had the unity of a common British background. When they struck off the British connection they kept much of their diversity but thrust to a new unity on the basis of the natural law philosophy. Independence, liberty, unity, and diversity found shelter within the broad framework of natural law.

Next: The Mercantile Impasse

IDEAS ON LIBERTY

Nature's Way

EQUILIBRIUM is nature's scheme and she maintains it by the use of power, which is developed from strain, which, in turn, is created by inequality.

Nature has never permitted stability in any form of life. Man will be going against nature if he seeks stability in his own affairs. It is strain that makes life not only worth while but actually possible, because from strain comes the only available power for individual development.

From *The William Feather Magazine*, July, 1971

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"MONOPOLIST"—

CAN HE CHARGE "ANYTHING HE WANTS"?

JOHN A. SPARKS

TO THEIR FIRST COURSE in economic principles, college students bring a wide assortment of misunderstandings. The "nature of competition," in particular, is a subject where there is almost always confusion. During a recent classroom discussion one student, who is representative, said: "This idea of rivalry between producers is fine, but what if there is only *one* producer of a product, for example, only *one* dairyman in a town. Then, it seems to me that he would have a monopoly and *could successfully charge any price he wanted to charge.*" The class nodded a general assent.

The fallacy that the exclusive producer of a good or service holds the enviable power to charge "anything he wants" has been exposed and refuted.[1] Yet, most members of the class assumed that in the absence of other "flesh and blood" competitors there would be no curbs upon the pricing practices of the single seller. Preoccupied with "competition by competitors," the class neglected other important kinds of competition. They are not alone.

"When competition is named as a regulator of enterprise outputs and prices, it is usually the competition among the firms already established in this or that industry which is emphasized . . . *Most studies of individual industries refer, when discussing competition, almost entirely to rivalry*

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[1] Hans F. Sennholz, "The Phantom Called Monopoly," *Essays on Liberty VII*, (Irvington, N. Y.: Foundation for Economic Education, 1960), p. 295.

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among established firms."[2] (Emphasis mine)

What are the alternatives to "competition by competitors"? What forces keep the lone producer from charging "anything he wants"?

Competition by Substitution

In order to start class discussion, I asked one girl if she would buy milk from the hypothetical dairy at $5.00 a gallon. "No!" she said without hesitation. "I'd buy canned juices instead or maybe even powdered milk." The young lady's common sense revealed some doubt that a single seller can successfully charge "anything he wants." Her answer indicates that sole sellers, no matter how powerful they think themselves to be, confront a very real kind of competition – competition by substitution.

In the classroom example the price of whole milk had become exorbitant. No other whole milk competitors were in sight, but resort could be made to powdered milk or other drinks. What economists call the "substitution effect" occurs in many areas. As a building material, steel can be supplanted by concrete and certain plastics. Glassine and plio-film substitute well for cellophane. Peanuts can replace popcorn. The power of the consumer to substitute presents a continuous threat to the sole seller of a product who believes that he can charge "anything he wants."

Demand Elasticity

Another student interjected, "To me there is no real substitute for milk. I don't like powdered milk and I never drink fruit juices. Substitution isn't open to a person like me." Consumers, who for various reasons are unable or unwilling to substitute, may nevertheless have a sizable impact on the single seller who arbitrarily attempts to charge "anything he wants."

Simple curtailment of product use by such a consumer can seriously cut into the revenues of the overconfident exclusive producer. Buyers who have no alternative products available to them are nevertheless often able to cut back on current consumption. When consumer responses to a price rise are substantial and widespread – "elastic" – the single seller's price increase will actually yield him lower revenues than before because total consumer outlays for the product will decrease.[3] The

[2] Joe S. Bain, *Barriers to New Competition* (Cambridge, Mass.: Harvard University Press, 1956), pp. 1-2.

[3] Murray N. Rothbard, *Man, Economy and State* (Princeton, New Jersey: D. Van Nostrand, Inc., 1962), Vol I, p. 110.

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single seller charging anything he wants in disregard of this "demand elasticity" may bring disaster upon himself in the market place.

It is said that although consumer demand for many products is "elastic," the demand for "necessities" is less changeable, that is "inelastic." The argument goes that since consumer response to price increases for "necessities" is so sluggish and limited, the single producer of such products escapes the discipline of demand elasticity. However, it has been estimated in studies of the demand for water that a doubling of prices would within a year reduce domestic household water consumption by about 30 to 50 per cent.[4] Even a price increase of so necessary a commodity as water would result in quite a decrease in gallons demanded by users within a relatively short time. At best, the sole seller is taking a serious risk when he theorizes that *his* product is a "necessity" and therefore immune from the exercise of consumer buying restraint.

Potential Competition

The young man who had triggered the whole discussion restated his argument: "I suppose it is unlikely, but what if consumers could neither find substitutes for the highly priced good nor could they significantly reduce their consumption of it? Then the single seller would be able to charge anything he wanted, wouldn't he?"

"Wait a minute," interrupted another student. "If the dairy owner is able to do so well, that is, successfully charge $5.00 a gallon for milk, I just might start a dairy, too. People in town could buy milk from me instead of him and for less."

Potential competitors wait in the wings, as it were, to make their entrance onto the business stage. Today, companies large and small are in search of profitable products and markets. They have instant capital and "know-how" available. The threat of such new entrants is an unseen force with real impact on the single seller. Not only do potential competitors come from the outside, they often come from within a company. An employee of the single seller may become convinced that he can "split off" and produce the highly demanded product at a lower price than is currently being asked. The technical computer field has witnessed this pattern over and over. In all industries, high profits serve as a signal flare attracting com-

[4] Armen A. Alchian and William R. Allen, *University Economics* (Belmont, California: Wadsworth Publishing Company, 1969), 2nd edition, p. 58.

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petitors to the scene. Enticing as such profits may be to the single seller, he knows that they must certainly be shared if he continues to ask a high price.

Conclusion

Can the seller who is without actual competitors really "charge anything he wants"? Some may believe, as the class did, that this is so. But, the threat of substitutes, the flexibility of consumer demand, and the eagerness of would-be competitors work together to firmly guide the exclusive producer of a good or service away from arbitrarily high prices toward the realism of the market. Charging "anything he wants" and receiving it is a seller's dream, but certainly not the reality with which he must continually deal.

IDEAS ON LIBERTY

Danger to Competitors

WHAT IS TO HAPPEN to a country in which success in the market place is to be a signal for prosecution by politicians anxious to curry public favor? It is a serious question, prompted by the situation which prevails today. Danger of antitrust prosecution threatens any firm that manages to grow and to out-produce its competitors.

It would really be a comfort to know that each business was doing its utmost to get as much of the market as it possibly could, that each firm was striving to put out the greatest possible production at the lowest possible cost, that, in short, it was being directed in accordance with the public good. But because of so many interventionist devices, the measuring sticks provided by a free market are no longer available. You can't be sure that a move or a failure to move on the part of a business is dictated by economic considerations in response to the desires of the people.

SYLVESTER PETRO, *"Do Antitrust Laws Preserve Competition?"*

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Harmonizing to Each His Own

LEONARD E. READ

Weep not
that the world changes —
did it keep
a stable, changeless state,
'twere cause indeed
to weep.
—BRYANT

MAN COULD NOT LIVE, let alone improve his lot, were all static as a rock. Change releases the hidden strength of men. Out of change comes variation and in this diversity are unique potentialities realized. Creative dissimilarities emerge and account for our moral, spiritual, intellectual, and material wealth. Change is of the very essence of life, and freedom to change is both an economic and a biologic necessity.

The enormity and persistence of change and variation is recognized and welcomed by some, though most persons tend to dislike it. "Change, indeed, is painful, yet ever needed," said Carlyle; inevitable and necessary but, nonetheless, much resented. This feature of human nature poses a major politico-economic problem and substantially accounts for the continuing debate over freedom versus coercive collectivism.

The main reason for resenting change, I suspect, originates in a misunderstanding of how security is best obtained. Individuals, with rare exceptions, are interested first and foremost in securing life and livelihood. Security is indeed desirable but, contrary to general belief, it is a dividend of natural change and variation — each pursuing his own uniqueness. There is no security to be found in bringing change and variation to

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a halt; nothing is so at odds with security as freezing or solidifying the status quo. Seek first security and there will be neither security nor change. Seek first the dynamic, improving life and security is thrown in as a rewarding outcome.[1]

To intelligently approach the politico-economic problem here posed requires, first of all, that we fully grasp just how fantastic our variations really are, else we will not know what the problem is or the meaning of "to each his own." Gloss over our variations, think of them as less than they are, and we will behave as unwitting, mindless persons.

On Being Human — and Different

Let us face a few facts. We resemble each other in outward appearance only: beings with two eyes, one nose, ten fingers, two arms, standing upright on two legs, and somewhat alike in other superficial ways. Even in these ways the variation is fantastic, "identical twins" being far from identical.[2]

Human beings are distinguished from the animal world by the possession of such traits as the ability to reason, to evaluate different causes of action, to make rational choices, to will their own behaviors, and even to transcend themselves. So varied are these potentialities and their mode of realization that resemblances diminish sharply; we go every which way, in as many directions as each person takes in a lifetime multiplied by all the human beings who ever lived. Chaos, seemingly!

The human scene holds no such thing as a changeless, single performance with which to compare, to identify, to judge our works. At the human level there are as many kinds and qualities of performances as there are viewpoints. Thus, the variety of performances equals all the people who have ever lived times all the changing viewpoints each person ever experiences. Trillions times trillions!

This assertion itself is a personal viewpoint or evaluation and argues that the eye of the beholder is determinative. "Were

[1] Change, as I am extolling it, refers only to those forms induced in the exercise of free choice. The enormous technological changes resulting from present coercive practices — moon ventures, for example — are, in my view, disruptive, unbalancing, and uneconomic. They lead creativity toward "national goals" or political designs and away from subjective value judgments; they make for insecurity. The trouble is, we see the mooncraft and generally adjudge it wonderful. What we fail to see are the inevitable and disastrous consequences of — reactions to — the coercion which brought this fantastic gadget into being.

[2] See various works by Roger Williams, especially *You Are Extraordinary* (New York: Random House, 1967).

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the eye not attuned to the Sun, the Sun could never be seen by it," wrote Goethe. Viewpoints, by and large, are based on major and easily observed distinctions. For instance, I glance at a smiling face and a moment later at the same face when angry. The distinction evokes two evaluations, varying viewpoints easily come by. But widen the aperture to increase sensitivity to infinitesimal changes, and even assuming no change in outward demeanor: the face is known to be older; the lighting is different; I have aged; and my vision has changed. The world of anyone sensitive to a wide range of variations is a far larger world than exists for those who are not so graced, that is, his viewpoints and evaluations are greatly multiplied.

Or reflect on what the world means to a farmer and to an astronomer. A particular farmer may be satisfied with treading the surface of our planet and scratching it with a plow; his world is a road, some furrows, and a field of grain. The astronomer's world, on the other hand, requires that he determine exactly the place that it occupies at each instant within sidereal space; from the standpoint of exactness he is forced to convert our globe into a mathematical abstraction, into a case of universal gravitation. We might say that the farmer and the astronomer "are worlds apart."[3]

Infinite Variation

In order to picture the enormity of variation, consider the varying evaluations or viewpoints of each farmer times all the farmers there are and then of all the astronomers since Copernicus and Galileo times all their changing viewpoints during these past four centuries. And last, contemplate all the performances there have been beyond the farmer and the astronomer and all the performances that lie between these two and all the varying evaluations thereof!

We can now see that it is the point of view that creates the variation panorama: an infinitude of performances in a constant flux. No person can do more than to become aware of this complexity; few even do this. To encompass this multiplicity, to bring it within anyone's comprehension, is out of the question. Initially, such awareness cannot help but breed confusion. How can harmony ever be brought out of this social maelstrom!

Confusion, however, does not end here. It starts anew with

[3] The idea and some of the phrasing in this paragraph are from an essay, "Adán en el Paraiso" (Adam in Paradise) by José Ortega y Gasset, 1910.

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countless attempts at harmonizing our variations. The confusion appears to stem from a fact seldom recognized in clarity: man is at once a social and an individualistic being. Confronting each of us are the we and the I or, one might say, association and isolation. Not only is there myself to cope with: to grow, emerge, evolve, to become what I am not yet; equally challenging, I must find out how to live in harmony with my fellow men. My life and welfare depend not only on what I make of me but also on how I associate myself with others upon whom I am also rigorously dependent, a dependence from which there is no escape. Except in association, I perish! No need to labor this point.

Psychological and Sociological

Thus, two extremely intricate problems are posed. The first is psychological in nature: freeing self from superstitions, imperfections, ignorance, fears. We know far less about this than is generally acknowledged. The second is sociological, that is, freeing men from the restraints and impositions which we in our ignorance are inclined to inflict on each other. Unless the latter is reasonably resolved, the former cannot flourish at its best. Yet, a resolution of the latter is impossible without a flourishing of the former. Boxed in by a paradox! Or are we?

There are, broadly, two opposed theories as to how the sociological maelstrom should be resolved. The first – authoritarian – is steeped in tradition, as aged as humanity, and presently gaining ground all over the world. It is the old, old master-slave arrangement that has always stifled human progress and diverted man's efforts to fighting, either to force his will on others or to combat the tyrant's army. The second – freedom – is brand new as history goes, all too seldom understood or accepted.

Perhaps no statement more openly and honestly reveals the authoritarian confusion than this:

> Only a moron would believe that the millions of private economic decisions being made independently of each other will somehow harmonize in the end and bring us out where we want to be.[4]

Merged Into the Collective

Where we want to be! Here is the authoritarian position set forth in crystal clarity: an *I* pretending to be a *we*. It is safe to assume that no earthly person wants to be what the author wanted to be at the moment of this phrasing. One knows, without

[4] The late Walter Reuther. See *New York Times*, June 30, 1962.

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looking at the record, that this author experienced a constant shifting in what he wanted to be during every day of his life. The same can be said of Napoleon or any of our numerous political authoritarians, precisely as can be said of you or me. No living person ever stays put; as to our aspirations, all of us are in flight, on the wing, in orbit. We need do no more than look about us to confirm this fact.

The point is that no person who ever lived – not even Socrates – has observed more than an infinitesimal fraction of the total universe. Each gazes through a tiny peekhole into infinity, glimpsing hardly any of it. Did Hitler see the farmer's furrow or what Galileo saw or what I see as I write or you see as you read these scribblings? Of course not! The authoritarian vision is limited and blurred at best.

Pressed to a Single Mold

What then must be the outcome of the authoritarian's solution to social problems, assuming that his will is invoked? Simple: all of us compelled to abide by what he sees through his unique and tiny peekhole which, of course, is next to nothing. All of us, if his will prevails, restricted by his oblique view of reality.

Most appraisals of authoritarianism are not as harsh as mine because no one has ever witnessed the horrible principle in more than partial practice. We observe people living, a few rather prosperously, in Russia, China, Uruguay, and falsely credit such of the good life as there is to the authoritarianism. To the contrary, it is in spite of it! All that is good – *no exception* – springs from creative human energy obeying its nature, that is, freely flowing when not squelched. Like lightning, it zigs and zags along the line of least resistance, finding its way through or around the commands and strictures of him-who-knows-next-to-nothing. A harsh appraisal of the authoritarian? No; that rating applies to all of us!

A supervisor of schools, attending one of our workshops recently, made this observation concerning freedom as a solution to social problems:

> I came to your summer seminar with a hazy and limited knowledge of the principles of economics and the free market. You have helped me to see the simplicity and self-evidence of these basic concepts of freedom. *What most amazes me now is that anyone can fail to understand and put these ideas into practice.*

Yes, the simplicity of freedom in action copes with infinite human variation and works its wonders! Amazing indeed that so

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many are unaware of these principles and thus have no faith in them. Parenthetically, any proposed solution to the social and individualistic aspects of humanity that is not simple has nothing to commend it. This is another way of saying that we should stick to what we know best – our own knitting – which, as already suggested, is not very much.

Each Free to Choose

Let me now return to the assertion, "Only a moron would believe that the millions of private economic decisions being made independently of each other will somehow harmonize in the end and bring us out where we want to be." I read this statement nine years ago and not until now did I realize that the author was substantially correct. Why? Only a person deficient in reasoning powers – not necessarily a moron – could possibly believe that any scheme can "bring us out where *we* want to be." This is an *I* posing as *we* – absurd! The flowering society, the only kind that merits our interest, is one that will not stand in the way of bringing you out where *you* want to be, while permitting the same opportunities for everyone else. And this is definitely a prospect when millions – yes, trillions – of decisions are made independently of each other – that is, a situation in which freedom of choice prevails.

It is an observed fact that variation obtains throughout the natural order; it is a distinguishing feature of the universal scheme of things ranging from atoms and their components to galaxies which are but tiny parts of who knows what. No two things are identical – no two snowflakes or stars or sunsets or tidal waves. Everything at all times and in all places and in all circumstances is in motion. But note that instead of chaos there is order and stability – an incomprehensible harmony – and because of a mysterious principle at work:

> All the phenomena of astronomy, which had baffled the acutest minds since the dawn of history, the movement of the heavens, of the sun and the moon, the very complex movement of the planets, suddenly tumble together and become intelligible in terms of the one staggering assumption, this mysterious "attractive force."[5]

These variations we observe in nature, by reason of this "mysterious attractive force," gravitate into a harmony; that is, there is an inexplicable magnetism constantly, everlastingly exerting itself. And precisely this same force

[5] See *Science Is a Sacred Cow* by Anthony Standen (New York: E. P. Dutton and Company, Inc., 1950), pp. 63-64.

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operates in exactly the same manner on the fantastically varied outcroppings of the human cortex: viewpoints, evaluations, inventions, insights, intuitive flashes, think-of-thats.

Freedom Can Work Wonders, If Not Restrained

Who understands creative human energy? Who can define it? No one! It is as mysterious and indefinable as electrical energy. Indeed, the two behave in much the same manner: they naturally flow along the lines of least resistance. The point is, we live without understanding Creation or life; electricity and gravitation serve even though we haven't the slightest idea as to what they are; the same is true of creative human energy – provided we leave it free to flow.

What at first blush appears as utter chaos – a veritable hurricane of flighty performances – turns out to be precisely the opposite: an harmonic whole in the absence of *I's* trying to play *we*. You to your knitting, I to mine, each pursuing his unique potential, be it farming or astronomy or whatever. For only in this manner am I able to draw on your and everyone else's unique realizations, others possessing countless ideas, enlightenments, goods, services hardly any one of which is within my own potential. When freedom prevails, we can think of our situation as a vast human grid, supplies responding to demands in a perpetual willing exchange. *A harmonizing of to each his own!*

We cannot know how freedom, any more than Creation, works its wonders. Nor do we need to know the how of it. We need only know (1) that freedom does work wonders – the evidence is commonplace and all about us – and (2) that freedom exists in the absence of man-concocted restraints against the release of creative energy. And observe how simple – and realistic – this is: it does not presuppose a single know-it-all!

IDEAS ON LIBERTY

Principles of Prosperity

IN THE FIRST PLACE, two people can work to produce more than twice as many valuable things as one can. In the second place, two people, simply by exchanging things they have, can each end up with more of the things they want.

HART BUCK, *"Freedom to Shop Around"*

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GENERAL OR SPECIFIC WELFARE?

HANNIBAL CUNDARI

WHAT WOULD this country be like in 1971 had government, in 1787, been instituted to "promote the general welfare" as interpreted by today's misguided humanitarians? Suppose the government had at that time disregarded the promotion of economic freedom as the real meaning and intent of the "general welfare" clause of the Constitution! We need only to consider the increase of our national debt in the past thirty years and the hordes of individuals and agencies that qualify under present government standards as being in poverty to realize that this nation would long since have perished had such views prevailed from its beginning.

Aware that such a fate inevitably stalks an unlimited government – one having power to direct the daily actions of individuals – our Founding Fathers declared in the Constitution that "We, the people . . . will promote the general welfare." Nowhere does it state that government shall promote personal welfare or *provide* it. Yet, misguided individuals misinterpret the "promote the general welfare" clause as a license to *provide* welfare.

Having suffered from the abuses and usurpations by coercive government, the framers of our Constitution could never have empowered any government to provide welfare to specific individuals.

The encouragement of individual freedom was the principal objective set forth in the Preamble to the Constitution, and it cannot be doubted that individual freedom is preferred by all people to

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enslavement. Whatever promotes individual freedom also promotes the general welfare. By the same token, one who toils to add material goods to society by his productive efforts also promotes the general welfare. Yet, when he is penalized through confiscation of his rewards for productive toil, to that extent he becomes a slave, losing his individual freedom. Furthermore, his contribution to the general welfare is diminished by the amount government confiscates from him. In such cases, government works to the detriment of the general welfare by its very efforts to provide specific welfare.

Impartial Justice

The Constitution contains no reference to specific welfare for individuals by government. The clause refers to the general protection offered by government as a referee in dispensing justice impartially; to promote tranquillity and to ensure that one does not encroach upon the private property of others; to guarantee that one party is not favored over another and that no one receives special privileges. Justice is not served when government allocates to the so-called poor the resources and property of others; to thus legalize injustice simply serves as warning that confiscation and redistribution of one's possessions is the fate to be expected when one endeavors to promote his own and thus the general welfare.

Shall one praise our government today, for instance, for its so-called promotion of the general welfare through the process of inflation? Or do these inflationary welfare measures simply place extra and unwarranted stumbling blocks in the path to personal freedom and economic well-being? How often have "public benefactors" caused the very problems and distortions their policies were supposed to cure! Witness the shortage of housing since the controlling government agency infused billions of dollars into the economy to "alleviate" housing shortages. Witness the increase in unemployment for those who are classed as underprivileged and who were to become the beneficiaries of the minimum wage law — the law which denied those most in need of employment the opportunity to compete and work for lower than "minimum" wages. Witness the shortage of rental housing where rent control laws drove investors out of the "landlord" business and thereby aggravated the conditions in slum areas. Nevertheless, such detrimental legislation remains on the books, and bureaucracy continues to wield its deadly hand against the general welfare.

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How is the general welfare to be promoted by government-imposed price-wage controls, import duties, restrictions on foreign investments, and scores of restraints upon the economic freedom of individuals to determine their own actions? Just how is an additional 10 per cent tariff against imports supposed to promote the welfare or increase the buying power of American citizens? Regardless of rationalizations, such governmental interferences with the free market most surely result in the impoverishment of many individuals.

The spirit of the general welfare clause was to limit the government to actions of a general nature, applicable to everyone rather than to privileged individuals or selective classes of people. It was an insurance against the use of the coercive force of government to fracture freedom. If it had been the intent of the Constitutional framers, would not welfare programs have proliferated then as they do today? But government-provided welfare was nonexistent in those days! Does this not lend proof that those who framed the clause had no such desire for the government to provide for the needs or wants of privileged individuals or groups?

Abdication of our rights to life, liberty, and property is the price we pay for liberalizing our limitation of government, for relaxing our eternal vigilance. The spoilers could not have perverted the welfare clause while those who framed it were still alive. They had to wait until a later generation had come to take freedom for granted. Now, it remains for the living to learn anew how to promote the general welfare.

IDEAS ON LIBERTY

No Federal Aid

THE FRIENDLINESS and charity of our countrymen can always be relied upon to relieve their fellow-citizens in misfortune. This has been repeatedly and quite lately demonstrated. Federal aid in such cases encourages the expectation of paternal care on the part of the Government and weakens the sturdiness of our national character, while it prevents the indulgence among our people of that kindly sentiment and conduct which strengthens the bonds of a common brotherhood.

GROVER CLEVELAND, Veto message, February 16, 1887

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Then Truth Will Out

LEONARD READ has a phrase for the man who, while extolling free enterprise in general, makes one or two – or three or four – exceptions to the rule of freedom. Such a man, says Leonard, "leaks." There are all sorts of gradations in this business of "leaking," from the libertarian who makes excuses for government-subsidized theater or dance to the industrialist who is willing to compete at home provided he has a tariff wall to protect himself against the foreigner.

As might be expected, Mr. Read's *Then Truth Will Out* (Foundation for Economic Education, $3.00 cloth, $2.00 paper) is the work of a practically leakproof man. I consider myself a stalwart devotee of the "freedom philosophy," but in this book Leonard Read has compelled me to check my sights in a couple of matters. There is this business of the "voucher system" for education, for example.

The idea of refunding tax money in the form of vouchers to individuals for use as payment to the private school of their choice has been offered by Yale Brozen and Milton Friedman as a turn from the socialism of the public school. Leonard Read denies that such a scheme is "any escape from socialism." It would be only a matter of time, says Leonard, before the government moves to dictate the curricula of a voucher-sustained private school. "He who pays the fiddler calls the tune."

Since I have been a supporter of the voucher idea, Leonard Read's *caveat* brings me up short. Am I indulging in rationalization when I argue that the educational voucher does not mean that the government is supporting the private school? The voucher, so I

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have thought, should be considered a partial restitution of money that was taken by legalized theft in the first place, and the condition imposed upon its use should be that there can be no condition!

Is this an unrealistic hope? It seems to me that a parochial school, cashing vouchers at the Federal Treasury, could invoke the protection of the religious clause of the First Amendment against any governmental effort to interfere with curriculum matters. And couldn't the nonsectarian school, with no religious bulwark to fall back on, plead the Free Speech clause of the First Amendment, saying that its teachers have a constitutional right to conduct their classes as they, in consultation with the school authorities, see fit?

All of this, of course, assumes that the voucher is simply a form of money that has been reclaimed by the individual from a Robber State. The voucher money would not be a gift of the government, it would be grudging recognition that it is wrong to force anybody who chooses a private school to pay twice for his education. Equity is involved here, not government charity.

Having stated my viewpoint, I must admit that Leonard Read's fear of government control of the private school has a sound grounding in history. States do not necessarily interpret their own constitutions with any regard to the plain meaning of language, and, despite the First Amendment, conditions could be imposed on the use of the voucher. Yale Brozen, Milton Friedman, and the American Conservative Union, all voucher proponents, will have to think this one over, and, at the very least, hire canny legal draftsmen to frame the bills calling for voucher legislation.

The Market as Conservator

Leonard Read is a gentle man, and he never tries to cram things down your throat. He lets an impeccable logic, dressed in some frequently delicious phraseology, do his work of conversion. He reaches his most persuasive peak in his ecological essay, "A Conservationist Looks at Freedom," which is a magnificent statement of the case for the private market as conservator. Far from destroying our forests, it is our private timberland owners, with their specialized knowledge of seed, spacing, fertilization, thinning, and other sustained yield practices, who have been keeping our nation in trees. "Today," says Leonard Read, "61 per cent more wood is being grown than is harvested and lost to fire, insects, and disease." Put together with Mr. Read's pre-

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vious remark that "a conservation policy . . . counsels the use of trees for homes," this is the definitive answer to Mr. Justice William O. Douglas's claim that our lumber companies have been raping the continent.

As for the more extreme preservationists (who want nature to remain in a completely pristine state), Mr. Read offers them the witty observation that "had mankind been around throughout the ages and succeeded in preservation – 'retention undisturbed' – dinosaurs would still be with us." This is a forceful way of saying not all change in nature is bad. Lest Leonard Read be accused of having a bias against wild animals, let the reader ponder his further statement that "there are now thousands of bison under private ownership – far from extinct." In addition to the bison, we also happen to have 109,000,000 head of cattle on our modern range. For the animal lover, it is a case of "all this and Heaven, too." Plus, of course, a good protein diet for millions.

Ralph Nader, now the frenetic apostle of a state-enforced "consumerism," once contributed a very sound argument against public housing to THE FREEMAN. Do I fancy that Mr. Read's essay on "A Consumer Looks at Freedom" is directed (more in sorrow than in anger) at his ex-contributor? If Ralph Nader really cares for the consumer, he should listen to Mr. Read's point that the "welfare state way of life is adverse to consumer interest: unemployment compensation, low-income housing, tax-financed education, aid to dependent children, medicare, disability payments, food stamps, in short, the whole so-called welfare program." The inflation and taxes needed to sustain the welfare state way of life means that most people can only afford shoddy goods, which is what they get when industry, forced by labor union coercion to pay above-market wages, has to skimp on quality in order to maintain volume.

Rooted in Reality

It is as a consumer that Mr. Read cringes when business executives pay more attention to the welfarist's "social goals" than they do to alleviating poverty by manufacturing and selling a good product for the lowest possible price. The universal concern with "image" seems a mischievous trend to Mr. Read, for it takes away from a concern with performance. The irony is that, "when the emphasis is on the image rather than the performance, not only will the performance deteriorate, but so will the image."

Leonard Read does not often get

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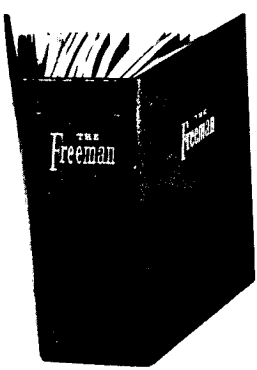
personal, but in his essay titled "A Laborer Looks at Freedom" he divulges some details about his past that were previously unknown to me (and I have known him for a quarter-century!) Making a point against government interference, he says that "happily" he grew up prior to the child labor laws. His work week from age eleven to age eighteen was 102 hours, "up every morning at four o'clock, cleaning stables, milking cows, six hours at school, and evening chores, and clerking in the village store until nine o'clock week days . . ." During World War I he served, often around the clock, as an airplane mechanic. Such a novitiate made Leonard Read a fact-minded and thing-minded man, which means that his later career as a word man has been soundly rooted in the realities which are necessary to give verbal symbols any true meaning. Today, alas, we shield our children from work. And all too often they grow up to be indifferent, even dangerous, philosophers.



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